

Opportunity Finance Network

Sent: Friday, October 02, 2009 2:41 PM

To: CDFIHELP

Subject: Comments on New Markets Tax Credit (NMTC) Program-Allocation Application

Matthew Josephs

New Markets Tax Credit Program Manager

CDFI Fund

601 13th St. NW, Suite 200 South

Washington, D.C. 20005

Via email: cdfihelp@cdfi.treas.gov

October 2, 2009

Dear Matt:

Opportunity Finance Network appreciates the opportunity to comment on the New Markets Tax Credit Allocation application and processes.

Opportunity Finance Network is itself a certified community development entity (CDE); we are a founding Board member of the New Markets Tax Credit Coalition (NMTC Coalition); and our network of community development financial institutions (CDFIs) includes many CDEs and their affiliates. We share with the Fund a desire to see the NMTC program stimulate investment in emerging domestic markets and to ensure that CDEs are committed to fostering that investment. We have been pleased to see community development financial institution (CDFI) participation in the NMTC program increase in the most recent round. We hope this trend continues, and we urge the Fund to use an application and allocation process that recognizes the track record and success of mission-driven organizations meeting the NMTC program's goals.

In general, we support and endorse the comments that the NMTC Coalition submits in response to the Fund's request for comments. In addition to the extensive recommendations of the NMTC Coalition, we wish to highlight several areas of particular interest that would further expand the NMTC's reach to institutions and projects that have not traditionally benefited from the credit.

* Enhance applicant flexibility to provide information. Because CDEs work in a variety of markets on a range of innovative products, applicants may not always be able to make the best case for the effectiveness of their strategy or their full impact with quantitative information. This letter provides several suggestions for including narrative or specialized data to help applicants make their case.

* Continued streamlining of application procedures.

* Careful exploration of multi-year awards. OFN believes that the idea of

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offering larger allocations, with restrictions on allocation receipt in the years following, is worth exploring. However, the Fund should proceed carefully with such an initiative.

* Build the capacity and experience of small and minority-owned CDEs. To expand the use, reach, and impact of the credit, the Fund could make changes that enhance the use of the NMTC by a broader range of entities.

Enhance Flexibility

To ensure that applicants can tell their own stories, especially in areas in which their work might vary from the majority of NMTC applicants (for example, Native communities, venture capital CDEs, and CDEs working in rural communities). To support CDEs serving these specialized makers, the Fund should adopt application procedures that are flexible about the type of information that applicant CDEs can provide about their markets. Specifically:

* In its request for comments, the Fund asks whether there are other sources of data updated more frequently than the decennial census. While OFN has no recommendation on specific sources of more timely data, we encourage the Fund to permit applicants to use their own data, surveys, or research to demonstrate need and distress in their markets. Applicants could make this argument in Question 27 of the application.

* In Questions 29 and 30, we support the NMTC Coalition's recommendations, particularly in not relying on jobs as a proxy for meaningful improvement. We encourage the Fund to adopt provisions that allow applicants flexibility and narrative opportunity to discuss their own assessment of meaningful impact in their markets.

* In Question 29, we support the NMTC Coalition recommendations but encourage the Fund to include a clear definition of "affordable housing."

In all of these questions, generally, the Fund might consider two-part questions that ask for both numerical and qualitative impacts, carefully outlining which information is relevant in the quantitative question (for example, jobs created by project, childcare spaces provided, square feet developed, etc) and providing the opportunity for narrative discussion of qualitative impact (qualitative assessments of community change, jobs created by tenants, etc.). In discussing the economic benefits of an allocation, applicants could discuss the quantitative use of the subsidy and also more qualitative outcomes (savings on interest rate allows charter school to buy new text books or decrease class size, subsidy to a nonprofit developer allowed them to decrease rents to other nonprofits, etc.). Even "jobs created" could be subject to qualitative elaboration: an application could propose to create 10 well paying jobs with benefits and a career path rather than 20 minimum wage part time jobs with no benefits.

Streamlining Application Procedures

OFN echoes the recommendations of the NMTC Coalition, especially in potential changes that would facilitate multiple users working offline and allow for the upload of completed word or PDF documents including a signature page.

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Larger but Less Frequent Awards

In its Request for Comments, the Fund asks whether it should raise the cap (maximum award) and then prohibit the recipient of such an allocation from applying for a set number of years. OFN is mindful of the infrastructure requirements of CDEs managing allocations, and larger, multi-year awards could alleviate some of this staff and operational pressure. We believe the idea is one the Fund should explore, but the Fund must weigh several factors carefully before deciding to implement it:

* Whether such a strategy would maintain, or increase, the number of awards, particularly given any new or strengthened efforts to serve smaller CDEs. OFN has generally supported a strategy that would provide assistance to a greater number of CDEs.

* How allocations in a given year would be affected and whether large awards would come from a single year's allocation or from multiple years. If the Fund has, for example, \$1.5 billion in allocation authority, three large awards would absorb half that authority. Especially as long as the NMTC operates on year-to-year extensions, concentrating allocations into only a few CDEs could diminish its overall reach and effectiveness.

Building CDE Capacity

There are several steps the Fund could take to build CDE capacity, and extend the reach and impact of the NMTC.

Minority-owned CDEs: The Fund's request for comments makes note of a Government Accountability Office (GAO) study on the participation of minority-owned CDEs. OFN supports a more aggressive outreach program to foster minority CDEs and build their capacity to use the NMTC. The training should go beyond web-based information sessions and include customized technical assistance.

OFN echoes the NMTC recommendation on defining "minority CDEs."

Smaller CDEs. Many CDEs work in the markets the NMTC targets, but lack the scale, expertise, or capacity to take full advantage of the NMTC. The Fund should:

* Extend the training program it develops for minority CDEs to other smaller CDEs.

* Adopt the recommendations outlined above that offer flexibility in describing market and impact. With these narrative and other opportunities for detail, smaller or more specialized CDEs could more fully describe their potential use of a NMTC allocation in ways that the current application might overlook.

* Expand the definition of Qualified Active Low-Income Community Business (QALICB) to include certified CDFIs. This change would facilitate NMTC investment in

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CDFI partners, especially into those CDFIs that have been certified as CDEs but lack capacity to manage their own NMTC allocations.

The Fund should also take care not to disadvantage those CDEs that do not receive significant infusions of capital from a parent or affiliate corporation, such as a bank. To ensure that such CDEs are not at a disadvantage, we recommend:

* In response to Question 6 in the Request for Comments, that the Fund consider both deployment of QEIs and also the ability to secure investors, but that it look for capital raised from outside sources of investment rather than affiliate or parent organizations.

* For Question 47 and Table E1, we agree with the NMTC Coalition and recommend that the applicant be permitted to report its track record of raising capital for both the CDE and its Controlling Entity, but that those records be reported separately and not in aggregate.

Thank you for the opportunity to comment. If you have questions or need additional information, please do not hesitate to contact me at 215.320.4304 or mpinsky@opportunityfinance.net

Sincerely,

Mark Pinsky

President and CEO